

# numindex

THE DIGITAL BULLETIN

numismatics - hobby for the older generations or sustainable profit from collecting coins over time?



## numismatic index – the missing link between collecting coins and investing

If you ask a coin collector whether his hobby has become more expensive in the past few years, he will be convinced, that this is the case. But an emotional guess, even if confirmed by a community of experienced collectors, is not strong enough to validate that sentiment. The fact, that there is no sustainable measurement reflecting price development of coins over time is astonishing.

Although in the past, some attempts have been done to show price development of coins, they have either been related locally to individual countries or calculated only once retrospectively. Until today, there is no systematic indicator, which captures, standardizes, and effectively reflects the results of numismatic auctions and prices paid for coins over time. The Numismatic Index (*numindex*) has been developed to close this gap.

### What is a numismatic (coin market) index?

The aim of an index is to present the change in selected prices in a clear and representative manner over time.

By combining different but similar characteristics into groups, average changes are measured and compared over time.

This ultimately allows the trend which can be read and presented graphically. A good example is the American stock index Dow Jones, which combines the largest American stocks into one indicator and in this way reflects whether stock prices are rising or falling.

Applying a concept of an index to numismatics, a coin indicator would reflect price development of a specified coin basket over time. The numismatic index could be used to derive a trend resulting from the coin price changes. And it is correct, it would not cover a full picture of individual elements such as precious metals or time periods, but a market sentiment, which can be read from an ordinary stock index.

The below conditions serve as a basis for the creation of *numindex*, which is a basket of pre-selected coins and for which performance will be measured and tracked over time.

Table 1: Principles of numindex

Principle	Definition
<b>Index universe (trading segment)</b>	The index should consist of coins, which have been in circulation. Coins minted exclusively for commemorative purposes (so-called collector coins or PP) and have never been circulated should only be part of the index in exceptional cases
<b>Availability of the coins</b>	Anyone interested in numismatics should not only be offered a reference number, but also the opportunity to add the coins to their collection (reproducibility). Therefore, each coin included in the index must be traded/auctioned several times a year
<b>Individual coin price</b>	Each coin in the index should cost between CHF 100 and CHF 2,000 at the index start
<b>Material value vs. numismatic value</b>	Coins selected for the numismatic index are traded in good condition at least 10% above their precious metal value and thus achieve a “numismatic premium” on the market
<b>Coin condition</b>	Regarding the coin condition, the coin grade has been selected for the index, which is mostly available on the market
<b>Capping Factor</b>	A capping factor is used to not exceed a certain weighting of a coin in the index. This is to prevent one coin is valued higher than 20 percent of the total portfolio value
<b>Transparency</b>	The prices of each coin included in the index are based on publicly available information. They are generated in shops and at public coin auctions
<b>Index currency</b>	The individual components of the index are calculated in CHF. If a coin is traded in a currency other than CHF, its price will be converted into CHF at the daily rate from the foreign currency
<b>Index calculation</b>	The index calculation method is based on the concept of Prof. Etienne Laspeyres

Table 2: numindex - distribution of coins by region

Country / Region	LMU	Inhabitants	Colony	Territory	Coin sum
BEL	2		Congo		3
FRA	2		Tunisia		3
ITA	2		Eritrea	Vatican	4
CHE	2				2
GRE	2				2
AUT		1			1
HUN		1			1
ESP		1			1
POR		1			1
GBR		1	EIC		2
GER		2	GEA	Danzig	4
POL		2		Ghetto	3
FIN		1			1
RUS		1			1
BALTICS		1			1

The assumptions presented above provide a good basis for compiling the numismatic index basket in a subsequent step. At this point, and of particular importance, it should be emphasized that the index's acceptance in the world of numismatics is crucial, which is why the coins were carefully selected. This has been achieved in numerous interviews and consultations, which have been conducted with the most known and recognized European numismatists, who proposed the most representative coin(s) for their country.

Coins selected for the numismatic index, have a significant connection to the European continent and as mentioned above have circulated.

Worth mentioning is also a fact, that countries or sub-areas that can no longer be found on the map today, are also considered. For example, Prussia which has a considerable influence on European numismatics, even though the state itself does not longer exist.

To ensure an easier coin comparison only coins that were minted by machine are included in the initial version of the numismatic index

Figure 1: numindex – visualisation of 30 coins



Table 3: numindex – composition of 30 coins

Country	Nominal	Currency	Year	Mint
BEL	5	Francs	1880	Bruxelles
BEL	20	Francs	1914	Bruxelles
COG	2	Francs	1887	Bruxelles
FRA	5	Francs	1871	A, Paris
FRA	50	Francs	1858	BB, Strasbourg
TUN	20	Francs	1904	A, Paris
ITA	5	Lire	1848	M, Milano
ITA	40	Lire	1814	M, Milano
ERI	5	Lire	1891	Roma
VAT	100	Lire	1950	Roma
CHE	5	Franken	1922	B, Bern
CHE	10	Franken	1911	B, Bern
AUT	20	Kronen	1904	Wien
HUN	5	Korona	1907	KB, Kremnica
ESP	25	Pesetas	1881	M, Madrid
POR	1000	Réis	1898	Lisboa
GRC	5	Drachmai	1875	A, Paris
GRC	20	Drachmai	1884	A, Paris
GBR	2	Pounds	1887	London
GBR	1	Trade Dollar	1901	C, Calcutta
DEU	5	Mark	1958	J, Hamburg
GER	20	Mark	1905	F, Stuttgart
DOA	2	Rupien	1893	Berlin
DAN	5	Gulden	1923	Berlin
POL	10	Złoty	1925	Warsaw
POL	100	Złoty	1966	mw, Warsaw
GET	5	Mark (Quittung)	1943	Litzmannstadt
LTU	10	Litu	1938	Bruxelles
FIN	20	Markkaa	1910	L, Helsinki
SUN	10	Rubel	1975	St. Petersburg

The idea behind constructing the index was to build it in a certain logical way and on repeatable rules. Individual countries are represented by specific coins, and their component choices are influenced by the following factors: was a specific country a member of the Latin Monetary Union (LMU)? If so, the index leads the state with 2 coins.

Depending on the number of inhabitants or the possession of possible colonies or special economic areas, the country receives an additional coin. Each of these components has a quantitative impact on the number of coins from a given country included in the current version of the index. Table 2 reflects the distribution of coins by region as applied in the index at its inception.

Table 3 translates the guiding principles into the coins of each territory, and following the assumptions and suggestions made above, the numismatic index should initially consist of the following thirty coins.

### Results for the numismatic index

Summarizing, *numindex* consists of 15 silver coins with a fine silver content of 290.83 grams, 14 gold coins with a fine gold content of 102.66 grams and an aluminum coin from the Litzmannstadt Ghetto with a catalog weight of 1.55 grams.

At the current precious metal prices, the coins therefore have a precious metal value of CHF 6,100. The current acquisition costs for all 30 coins, on the other hand, are around CHF 13,600. The difference between the purchase price and the material value is the "numismatic premium", which in the present case is ~ 123% or approx. CHF 7,500.

Figure 2: performance of numindex over the 5-year period (Feb 2018 – Jan 2023)



Calculating the coin prices paid back over the last 5 years, and presenting the results graphically, it is clearly visible, what is the development of the numismatic prices for the coin portfolio described above. Based on the Figure 2 a clear statement can be drawn, that *numindex* developed by -10% in the first year, starting at 1,000 points, before rising to over 1,800 points in the next three years. Although it has fallen 300 points over the past year, its trend shows an annual increase of around 10 % over the past 5 years.

### Summary

The aim of the numismatic index is to calculate an index that reflects the price movements of European numismatics, to attract new collectors with different backgrounds and know-how and to make coin collecting more available and understandable. *numindex* aims to actively shape the perception of numismatics and future collectors. The index is calculated for the past but is now

regularly updated and available online at [www.numindex.com](http://www.numindex.com). Potential new collectors can thus be given a suggestion regarding coins, which could be a solid basis to begin with the exciting passion and sustainable investment. The coin prices are published on the website, so that the evaluation of the coin basket that has been compiled can also be assessed by beginners without any further difficulties.